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TAGS: PGOV PREL PHUM ECON VE ENGY

SUBJECT: AMBASSADOR'S TRIP TO ANZOATEGUI STATE

SUMMARY

¶11. (C) The Ambassador's trip to Anzoategui State March 8-9 concentrated on the Barcelona/Puerto La Cruz area and the Jose industrial complex - a multi-billion dollar US investment. The objectives were to emphasize the importance of the US-Venezuelan oil relationship, to get a better sense of the realities faced by that industry, and to highlight the contributions of USAID and private sector social and local governance projects to the community. The picture that emerged was of a region experiencing unprecedented growth driven by oil industry investment. A significant risk factor to continued positive growth, however, appears to be the host government's tendency to let politics guide its industry decisionmaking. Oil industry response to its Venezuelan counterparts is steady but cautious, and there is a growing emphasis on contingency planning as industry leaders attempt to rationalize an increasingly irrational operating environment. END SUMMARY.

¶12. (U) Visiting Anzoategui State March 8-9, the Ambassador met with local political leaders, oil industry executives, and media outlets. He visited social and local governance projects sponsored by USAID and ExxonMobil. He also conducted a town hall for the American citizen community in the area.

Political Leaders

¶13. (C) The political situation in Anzoategui is highly factional, with the political leadership of the region preoccupied with internal battles. Friction between conflictive strains of Chavismo and the Governor and some mayors has resulted in a charged political atmosphere. The Ambassador met with mayors representing both ends of the political spectrum - MVR Mayor of Barcelona Jose Perez Fernandez and Primero Justicia Mayor of Lecheria Gustavo Marcano. MVR Governor William Tarek Saab declined to meet with the Ambassador.

¶14. (C) Mayor Jose Perez Fernandez, an ex-Captain and local member of the MVR greeted the Ambassador upon arrival at Barcelona airport. Perez did not officially agree to meet with the Ambassador until March 7. During the short meet and greet session, the Ambassador and Perez exchanged formalities and touched upon Perez's socio-economic prognosis for Barcelona, with the Ambassador pointing to the positive social contributions of USAID and US private investment within the community.

¶15. (C) The Ambassador also met with Gustavo Marcano, a first term Primero Justicia mayor serving the upscale district of Lecheria, on the afternoon of March 8. Marcano is a potential IV grantee. During the meeting, the Ambassador probed for potential areas of cooperation, and while the meeting turned up little in the way of concrete suggestions by Marcano, the Ambassador left the door open for future cooperation in the areas of education, social investment and commerce.

Oil Industry Executives

¶16. (U) Anzoategui is oil country and the economic focus of the Ambassador's trip was on the oil industry. The Ambassador met with representatives from the three U.S. industry majors operating in Anzoategui - ConocoPhillips, ChevronTexaco, and ExxonMobil. He also visited the Jose petrochemical complex - which represents an estimated \$7B in US investment - to tour the Ameriven-run Hamaca Upgrader. The Hamaca project is the fourth and final of the joint venture projects at Jose and is operated by Petrolera Ameriven - a joint venture between ConocoPhillips, ChevronTexaco, and PDVSA.

¶17. (C) On the afternoon of March 8 in Puerto la Cruz, Bud Chamberlain, Vice-President of ConocoPhillips de Venezuela,

walked through a two-part presentation on the Corocoro natural gas project and ConocoPhillips' sustainable development program. The Corocoro project is being developed in two phases, he said, to mitigate risks associated with a lack of detailed reservoir knowledge and an evolving political situation. The Q&A session following the presentation focused on PDVSA as a partner and the growing presence of the People's Republic of China in the Venezuelan market. ConocoPhillips' consensus on PDVSA, according to

Chamberlain, is that PDVSA has quantity and quality of personnel issues which impair its effectiveness as a partner. ConocoPhillips executives pointed to a braindrain from PDVSA as well as a basic lack of manpower. PDVSA has moved to restrict participation by former employees in joint venture projects, even when they are on the foreign company's payroll. Chamberlain was noncommittal about PRC presence, stating that he tended not to see the industry in terms of influxes of people.

¶18. (C) ChevronTexaco's Kevin Owens (Operations and Engineering Manager Venezuela Offshore) and Kent Mangold (Earth Science Manager Venezuela Offshore) told the Ambassador the Deltana project is operational: Block 3 drilling has commenced and first gas is expected by 2010 with some room for slippage. At an oil industry dinner hosted by ChevronTexaco on the evening of March 8, ChevronTexaco's Dave Nelson noted the recent public statements by Citgo executives that the company had been overcharging and benefiting from transfer payments. Nelson told the Ambassador there would be significant tax liabilities that could be investigated if this were the case.

Media Outlets

¶19. (U) The Ambassador conducted a series of executive meetings and interviews with media outlets in radio, TV and print. The Ambassador's trip was well-covered with several outlets also running his interviews in states outside of Anzoategui. Overall, press concerns centered on trip objectives, the continuity of the US-Venezuelan oil relationship, and the alleged US assassination plot story.

¶10. (C) The Ambassador commenced his press tour with an executive meeting and interview at 870 Pueblo AM. Executive meeting attendees included Nelson Belfort Jr. (Circuito Nacional Belfort President), Juan Carlos Millan (Director) and Juan Jose Bartolomeo (Institutional Relations Director). Off-the-record discussion points focused on the economic growth of the region and the local political scene. Radio executives were positive on the economy, however noted its absolute dependency on oil and lack of a secondary service industry with some concern. Internal battles between competing strains of Chavismo were a distraction for the local government, they said. The on-the-record interview was conducted by Carlos Acosta and Maria Isabel Parraga and ran nationally.

¶11. (C) The Ambassador also met with Diario El Tiempo (opposition) newspaper and Televisora de Oriente on the morning of March 9th. The executive meeting with Diario El Tiempo was attended by Maria Alejandra Marquez (Executive President) and Carmen Guervara (Institutional Relations Manager). In a far-ranging discussion over breakfast, Marquez elaborated on the development challenges faced by the region, making the point that while growth is an overall positive for the region, it is characterized by the stops and starts of the petroleum industry because development has not been evenly distributed among other sectors. Marquez said it also placed undue stress on a local infrastructure ill-equipped to deal with the challenges posed by rapid growth. As an aside, Marquez noted that she expected the Governor to use Mayor Perez Fernandez's meeting with the Ambassador as an excuse to oust him. An on-the-record interview was conducted by the editorial staff of the paper.

¶12. (C) Following his interview with El Tiempo, the Ambassador proceeded to Televisora de Oriente (opposition), where he met with Pascual Cirigliano (President), Domingo Cirigliano (Vice-President), and Francisco Lopez Pando (Executive Vice-President). Discussion focused on the local political scene and the difficulties of operating under the new content law. Executives noted the friction between the Governor and some mayors, citing the Governor's claim to the national access the mayors once enjoyed as a potential cause of discord. The Ambassador then taped an interview before departing.

Community Outreach Projects

¶13. (U) An important theme of the Ambassador's trip was the social contribution made to the region by public and private

US sources of cooperation. To highlight this contribution, the Ambassador visited two USAID-sponsored projects - Gente

de Soluciones and FUNIDIS - and a community center sponsored by Operadora Cerro Negro, an ExxonMobil affiliate. The Ambassador attended a signing ceremony for Gente de Soluciones on March 8 at the Mayor of Lecheria's offices. Gente de Soluciones is an NGO registered by the Local Committee for Public Planning (CLPP), and will use a \$28K USAID grant for a program strengthening women's involvement in the CLPP. The USAID-sponsored NGO - the Foundation for Handicapped Children (FUNIDIS) - focuses on providing physical therapy to children with motor dysfunctions. FUNIDIS received a USAID donation for \$25K to purchase equipment and rehabilitate the center.

¶14. (C) The Ambassador continued on to the barrio of El Vinedo, where ExxonMobil via its affiliate Operadora Cerro Negro operates a community center. Over an informal lunch at the center, ExxonMobil President de Venezuela Mark Ward told the Ambassador that ExxonMobil had selected the center's location because the community at El Vinedo has a history of blocking the road to the Jose Industrial Complex, yet was open to social work from the oil industry. The Ambassador offered Ward support for any future social investment project ExxonMobil might be considering.

American Community Town Hall

¶15. (U) The Ambassador addressed a town hall meeting at the Colegio Internacional Puerto La Cruz on the evening of March 18. Approximately 80 American citizens attended. After brief remarks by the Ambassador, the floor was opened to questions. Questions from the audience centered on US-Venezuelan bilateral relations and whether and how they might improve, and the ongoing assassination plot story. There was also a small but vocal group of American boaters who voiced their concerns regarding the security problems they encounter in Venezuelan waters.
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